



United States Department of Agriculture
Rural Development
Montana State Office

May 2, 2006

MT AN No. 258
(1924-A and 1944-I)

TO: All Housing and Area Office Staff
USDA, Rural Development, Montana

All Approved Montana Mutual Self Help Grantees

SUBJECT: Guidelines for Mutual Self Help Construction

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) provides guidance to Area Office staff and approved Montana Mutual Self Help (MSH) Grantees on building timeframes, construction designs, basements, draw procedures, change orders and the loan conversion process.

COMPARISON WITH PREVIOUS AN:

This AN replaces MT AN 236.

IMPLEMENTATION RESPONSIBILITIES:

Construction Schedules

MSH grantees are required to provide Rural Development with a proposed building schedule each year. As is customary in the construction industry, schedules can not always be adhered to. This has caused significant problems with the participating families as building timelines are stretching over the winter months.

It is unreasonable to expect inexperienced construction laborers to work in harsh weather. Therefore, all projects should be scheduled for completion by December 1st of each year, before the weather becomes severe.

EXPIRATION DATE:

May 2, 2007

FILING INSTRUCTIONS:

Preceding MT Instruction 1924-A
Following RD Instruction 1944-I

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In order to complete construction on or before December 1st, construction must start on or before April 15th. Late starts have caused extensive delays in construction timeframes due to weather delays. Family coordination for work schedules is essential to obtain the highest production levels and an efficient construction timeframe. Families have become very unmotivated due to intermittent bad weather and delays. Therefore, it is **required** that grantees start construction as early in the spring as possible and maintain a strict construction schedule. Construction starts after April 15th must be approved by the State Director or the phase will have to be postponed to the following year.

Two Story Models

Effective in 2006, two story models are no longer allowed in the MSH program. Most of the program participants are not experienced enough to work on the high areas of the home, i.e. roofing, tresses, etc. This issue coupled with the unpredictable winters puts these homes at risk for further delays, and unnecessarily puts the families at risk for injuries.

Basements

Full basements can be allowed, as approved by the RD State Architect, but only with engineered foundation plans. However, no framing or finished basements are allowed. This causes extra work and is unfair to the families that do not have or can not afford a basement home. All approved basements are to remain unframed and unfinished prior to move-in.

Change Orders and Special Requests

All changes to the contract and construction budget must be done by completing Form RD 1924-4 (Change Order) and must be approved by RD.

Upgrades are not allowed in any capacity for these homes. All families are to be given the same choices of home components. Requests for upgrades are to be declined. There will be no exceptions to this rule and this rule should be strongly stated in all Family Agreements.

Special Requests can be approved only for handicapped participants and only to provide handicapped accessibility.

On occasion there are funds left over in the construction budget (loan). These funds can only be used at the end of construction and must be used for loan eligible purposes, i.e. sod, trees, fence, etc. All funds not used for eligible purposes are to be applied to the principle balance of the participant's loan. Funds can not be used for upgrades during the construction period.

Draw Requests

All 502 loan fund draw requests are to be submitted in accordance with RD Instruction 1924-A. All draw requests must have the following documentation attached:

- Quickbooks Report – Family Budget to Actual Report
- Shares Report – Family Construction Report
- Prior Draw Lien Waivers

- **Invoices**

All draw requests are to be submitted to the Area Office and reviewed and approved by the Area Director prior to funding. Grantees should allow Area Office staff a minimum of five days to complete the draw request analysis.

Loan Conversion Process

Families can not move into their homes prior to converting their loan from a construction loan to a permanent loan. The conversion should take place during the first week of the month. The grantee should provide Area Office staff with approximately 30 days to prepare for the conversion. For families receiving payment assistance, it is necessary to re-verify their income prior to preparing the Payment Assistance Agreement. Additionally, they have to initial the Promissory Note. Therefore, a face to face meeting must be scheduled with each family to complete the conversion documentation. All family trust accounts must be balanced and closed out prior to conversion. Upon completion of the conversion meeting, families can move into their homes.

Continuing Line Items

All 502 construction budgets will have a minimum of an eight percent contingency. A ten percent contingency is prudent in some areas of the state give market conditions. It cannot be assumed that Rural Development will fund subsequent loans. Subsequent loans are contingent upon the applicant qualifying and the availability of funds.

Smart Builds

Crawl spaces are discouraged, however, slab-on-grade designs are encouraged. If crawl spaces are used vents must be part of the design and an engineered foundation plan is required. Five-star energy efficient appliances and panelized walls are encouraged. Cistern water systems are not allowed in this program.

Questions concerning this AN should be directed to the Housing Program Director at 406-585-2551.

W.T. (Tim) RYAN
State Director